

Message Text

CONFIDENTIAL

PAGE 01 GENEVA 11147 01 OF 03 191817Z
ACTION STR-07

INFO OCT-01 EA-10 IO-13 ISO-00 STRE-00 AGRE-00 CEA-01
CIAE-00 COME-00 DODE-00 EB-08 FRB-03 H-01 INR-10
INT-05 L-03 LAB-04 NSAE-00 NSC-05 PA-01 CTME-00
AID-05 SS-15 ITC-01 TRSE-00 ICA-11 SP-02 SOE-02
OMB-01 DOE-15 JUSE-00 EUR-12 /136 W
-----098953 191918Z /46

P 191753Z JUL 78

FM USMISSION GENEVA
TO SECSTATE WASHDC PRIORITY 2309
INFO AMEMBASSY TOKYO PRIORITY

C O N F I D E N T I A L SECTION 01 OF 03 GENEVA 11147

USMTN

PASS STR ELECTRONICALLY FOR ACTION
STR PASS CODEL

E.O.11652:GDS
TAGS: ETRD, MTN, JA
SUBJECT: US-JAPAN MTN NEGOTIATIONS

REF: STATE 175865

1. SUMMARY: BUILDING ON THE POSITIVE LINES ESTABLISHED
BY THE TWO HEADS OF GOVT IN BONN, AMBASSADOR STRAUSS
PRODUCED MAJOR JAPANESE CONCESSIONS FOR US ON KEY INDUSTRI-
AL TARIFF ITEMS DURING PARALLEL NEGOTIATIONS IN BONN
JULY 15-17. WE CURRENTLY SEE NO BARRIER ON OUR SIDE FOR
INDUSTRIAL TARIFF SETTLEMENT WITH JAPAN; JAPAN, HOWEVER,
HAS SERIOUS RESERVATIONS ABOUT OUR PROSPECTIVE OFFER ON
DINNERWARE INVOLVING INCREASED U.S. DUTIES ON ITEMS OF
PRINCIPAL INTEREST TO JAPAN, AND THEY ARE ALSO ANXIOUS TO
SECURE A FEW SYMBOLIC IMPROVEMENTS IN U.S. OFFERS (WHICH
WE HAVE AGREED TO STUDY WITHOUT COMMITMENT). DATE FOR
CONFIDENTIAL

CONFIDENTIAL

PAGE 02 GENEVA 11147 01 OF 03 191817Z

MINISTERIAL-LEVEL NEGOTIATIONS WITH JAPAN ON AGRICULTURE
FIXED IN BONN FOR SEPTEMBER 5 IN WASHINGTON. WE ARE HOPE-
FUL WE WILL BE ABLE TO CLOSE WITH JAPAN DURING COURSE OF
SEPTEMBER. END SUMMARY.

2. THE RAPID PACE OF DEVELOPMENTS OVER THE PAST WEEK IN
GENEVA AND BONN HAS PRECLUDED OUR KEEPING EMBASSY TOKYO

UP TO DATE ON RECENT EVENTS. AMBASSADOR STRAUSS FOLLOWED A STRATEGY TO PUT MAXIMUM PRESSURE ON JAPAN TO BE MORE FORTHCOMING ON KEY ELEMENTS OF INTEREST TO U.S. THIS BECAME NECESSARY WHEN USHIBA ON JULY 12 REPEATED HIS ALLEGED BOTTOM LINE OFFERS ON COLOR FILM (5 PERCENT), COMPUTERS (6 PERCENT AND 9.5 PERCENT ON PERIPHERALS), AND KRAFT PAPER AND LINER BOARD (NO OFFERS BELOW APPLIED RATES), NO IMPROVEMENTS AT ALL ON AGRICULTURE ITEMS, PLUS JAPANESE INSISTENCE ON RETENTION OF TARIFF DISPARITY THAT WOULD RESULT FROM THESE OFFERS, I.E., IF U.S. DID NOT MAINTAIN ITS DUTY FREE FILM OFFER AND 2.2 PERCENT COMPUTER OFFER, JAPAN COULD NOT MAINTAIN RATES OFFERED JULY 12. STRAUSS IMMEDIATELY BROKE OFF NEGOTIATIONS WITH JAPAN AND WENT PUBLIC, DESCRIBING EXCELLENT PROGRESS WITH OTHER KEY TRADING PARTNERS BUT NOTICEABLY OMITTING JAPAN. IN STAFF-LEVEL FOLLOW-UP MEETINGS, WE WITHHELD SOME OFFERS DISCUSSED CONDITIONALLY ON JULY 11, ANNOUNCED WE COULD NOT GIVE JAPAN A NUMBER OF ADDITIONAL IMPROVEMENTS WE HAD IN OUR POCKET, AND ALSO INDICATED LIKELIHOOD OF U.S. WITHDRAWALS AFFECTING TEXTILES, STEEL, CHEMICALS AND AUTOMOBILES.

3. AMBASSADOR STRAUSS DROPPED BY AS A PRIVATE GESTURE TO SEE USHIBA ON JULY 13 AND, MORE IN SORROW THAN IN ANGER, TOLD HIM WE JUST DID NOT SEE A BASIS FOR US-JAPAN MTN AGREEMENT EMERGING AND THAT WAS CERTAINLY TOO BAD;
CONFIDENTIAL

CONFIDENTIAL

PAGE 03 GENEVA 11147 01 OF 03 191817Z

MEANWHILE, WE HAD TO DEVOTE OUR ENERGIES TO EC AND CANADA WHERE THERE SEEMED TO BE BETTER PROSPECTS OF NEGOTIATING SOMETHING SIGNIFICANT. IN BONN, AMBASSADOR STRAUSS WAS INVITED OVER FOR A DRINK WITH PRIME MINISTER FUKUDA AND USHIBA, WHO INDICATED THEY (A) WANTED TO COME TO AN INDUSTRIAL UNDERSTANDING IN BONN, (B) WOULD SEND THEIR AGRICULTURE MINISTER TO WASHINGTON FOR NEGOTIATIONS THERE IN EARLY SEPTEMBER, AND (C) WERE PREPARED TO ANNOUNCE SOME UNILATERAL MEASURES TO RESTRAIN JAPANESE EXPORTS TO THE U.S. AS A RESULT OF MANY HOURS OF MEETINGS JULY 16, 17 AND 18--OFTEN BETWEEN USHIBA AND AMBASSADOR MCDONALD--AND AFTER A NUMBER OF PRELIMINARY IMPROVEMENTS, THE FOLLOWING WERE FINALLY OFFERED.

COLOR FILM--4 PERCENT, WITH UNDERSTANDING U.S. MAY REVERT TO A FORMULA OFFER, I.E., 3.7 PERCENT RATHER THAN DUTY FREE; TARIFF DIFFERENTIAL BETWEEN US WOULD THEREFORE BE AN INSIGNIFICANT 3/10 OF 1 PERCENT.

COMPUTERS, CENTRAL PROCESSING UNITS--4.9 PERCENT, WITH UNDERSTANDING U.S. MAY REVERT TO A FORMULA OFFER OF 3.9 PERCENT INSTEAD OF GREATER-THAN-FORMULA OFFER OF 2.2 PER-

CENT; TARIFF DIFFERENTIAL BETWEEN US WOULD THUS BE LIMITED TO A SINGLE PERCENTAGE POINT.

COMPUTER PERIPHERALS--6 PERCENT, WITH U.S. REVERTING TO FORMULA OFFER OF 3.7 PERCENT RATHER THAN 0.

INTEGRATED CIRCUITS (NES)--4.2 PERCENT OFFERED TO MATCH OFFER EARLIER IN WEEK OF SAME RATE ON DIGITAL INTEGRATED CIRCUITS.

HEAVY KRAFT LINER AND WHITE PAPERBOARD--6 PERCENT (FOUR FULL POINTS FROM WHERE THEY WANTED TO HOLD); LIGHT-WEIGHT KRAFT LINER--10 PERCENT.

CONFIDENTIAL

NNN

CONFIDENTIAL

PAGE 01 GENEVA 11147 02 OF 03 191825Z
ACTION STR-07

INFO OCT-01 EA-10 IO-13 ISO-00 STRE-00 EUR-12 JUSE-00
AGRE-00 CEA-01 CIAE-00 COME-00 DODE-00 EB-08
FRB-03 H-01 INR-10 INT-05 L-03 LAB-04 NSAE-00
NSC-05 PA-01 CTME-00 AID-05 SS-15 ITC-01 TRSE-00
ICA-11 SP-02 SOE-02 OMB-01 DOE-15 /136 W
-----099057 191918Z /46

P 191753Z JUL 78

FM USMISSION GENEVA
TO SECSTATE WASHDC PRIORITY 2310
INFO AMEMBASSY TOKYO PRIORITY

C O N F I D E N T I A L SECTION 02 OF 03 GENEVA 11147

AIRCRAFT--WILLING TO BIND AT 5 PERCENT TO MATCH U.S. CURRENT RATE WITH SIDE LETTER COMMITMENT BY BOTH SIDES TO SUSPEND DUTY FOR 8 YEARS. (BOTH RECOGNIZED NEED FOR FURTHER DISCUSSION OF AIRCRAFT SECTOR, INCLUDING COVERAGE, WITH OTHER KEY COUNTRIES BEFORE THIS COULD BE FINALIZED.)

USHIBA AND HIS TEAM RESISTED ANY IMPROVEMENT IN JAPAN'S OFFERS ON FERTILIZERS, GELATINS AND WROUGHT AND UNWROUGHT ALUMINUM ITEMS; MCDONALD URGED THEM TO RECONSIDER WITH VIEW TO SOME IMPROVEMENTS IN A FINAL PACKAGE, BUT WE DID NOT HOLD UP REDUCING POLITICAL TENSIONS ON THESE ITEMS IN BONN SINCE WE CHOSE TO CONCENTRATE ON THE THREE MOST IMPORTANT CATEGORIES ABOVE.

JAPAN HAD OFFERED US IN GENEVA ON JULY 12 FULL SATIS-

FACTION OF OUR REQUEST RATES (4 PERCENT) ON ALL U.S. HIGH-PRIORITY RADIO-TELEGRAPHIC EQUIPMENT, LORAN AND DIRECTION FINDERS.

(TECHNICAL DESCRIPTION OF LINE ITEMS FOR JAPANESE IMPROVED OFFERS WILL FOLLOW SEPARATELY.)
CONFIDENTIAL

CONFIDENTIAL

PAGE 02 GENEVA 11147 02 OF 03 191825Z

4. USHIBA CONDITIONED THESE OFFERS ON UNDERSTANDING THEY ARE PUT FORWARD IN EFFORT TO REACH A SETTLEMENT WITH U.S., NOT JUST IMPROVEMENTS U.S. CAN POCKET AND COME BACK IN FALL WITH ADDITIONAL LIST OF DESIRED IMPROVEMENTS. AMBASSADOR MCDONALD IN TURN GOT USHIBA TO AGREE THAT WHEN STAGE OF FINAL BALANCING ARRIVES WITH PROBABLE ADJUSTMENTS BY ALL KEY COUNTRIES, JAPAN WOULD NOT WITHDRAW ITS CURRENT OFFERS IN THESE POLITICALLY-SENSITIVE KEY ITEMS.

5. IN VIEW OF FOREGOING MAJOR MOVEMENTS BY JAPAN, AMBASSADOR STRAUSS AUTHORIZED US TO CONVEY IMPROVEMENTS IN OUR OFFERS TO JAPAN. ON JULY 18 WE ACCORDINGLY GAVE JAPAN TPSC-APPROVED U.S. IMPROVEMENTS ON ASP, CERTAIN KITCHEN UTENSILS, GUITARS VALUED NOT OVER \$75.00, WROUGHT AND UNWROUGHT TITANIUM, WATCHES, AND RESUBMITTED PROSPECTIVE U.S. OFFER ON DINNERWARE WITH COVER NOTE THAT THIS LATTER OFFER IS NOT FORMAL PENDING PRESIDENTIAL PROCLAMATION TERMINATING ESCAPE CLAUSE ACTION. WE ALSO REPEATED OUR INTENTION TO HAVE SIDE LETTER PROMISING STR SUPPORT OF U.S. IMPORTER-SPONSORED BILL FOR DUTY-FREE TREATMENT OF BINOCULARS. PER GOJ REQUEST IN BONN, WE SAID WE HAD ASKED INTER-AGENCY GROUP IN WASHINGTON TO TAKE HARD LOOK AT WHETHER WE COULD RESPOND FAVORABLY TO GOJ HIGH PRIORITY REQUEST FOR AT LEAST SOME IMPROVEMENT IN U.S. OFFERS AFFECTING SLIDE FASTENERS AND BEARINGS OTHER THAN THOSE MANDATORILY EXCLUDED. IN RESPONSE REPEATED URGINGS BOTH IN BONN AND GENEVA ON WOOL TEXTILES, WE CONSISTENTLY SAID ANY U.S. IMPROVEMENT WOULD BE EXTREMELY DIFFICULT AND WE COULD NOT DO SO UNLESS EC OFFERED SUFFICIENT RECIPROCITY, CONSEQUENTLY WE COULD NOT BE OPTIMISTIC ALTHOUGH SOME IMPROVEMENT WAS NOT TOTALLY EXCLUDED. (WE ARE POUCHING TO STR-BARREDA COPIES OF OUR WRITTEN IMPROVED U.S. OFFERS
CONFIDENTIAL

CONFIDENTIAL

PAGE 03 GENEVA 11147 02 OF 03 191825Z

HANDED TO JAPANESE.)

6. GOJ REPRESENTATIVES (UKAWA AND UDAGAWA) WERE SURPRISED

AND CONCERNED TO NOTE THAT THE PROSPECTIVE U.S. OFFER ON DINNERWARE IS THE SAME ONE GOJ RECEIVED IN WASHINGTON JUNE 19. THEY RECALLED THAT THEY HAD TOLD U.S. AT THAT TIME A QUICK LOOK INDICATED DINNERWARE OF KIND PRINCIPALLY OF INTEREST TO JAPAN WOULD HAVE SUBSTANTIALLY INCREASED RATES RATHER THAN DECREASED RATES DUE TO RECLASSIFICATION. NOT ONLY WOULD THIS NOT CONSTITUTE A VERY USEFUL OFFER OF TRADE "LIBERALIZATION", BUT IT ALSO CALLED FOR ARTICLE 28 RENEGOTIATION. WE OFFERED NO DEFENSE (BECAUSE WE DIDN'T HAVE ANY). GOJ REPS SAID THEY WOULD ANALYZE THE PROSPECTIVE DINNERWARE OFFER IN MORE DETAIL AND BE BACK IN TOUCH.

7. JAPANESE WERE PUT ON NOTICE BOTH IN GENEVA AND BONN THAT WE WILL NOT SETTLE WITH THEM IN MTN WITHOUT REASON-ABLE ACCOMMODATION OF OUR NEEDS IN AGRICULTURE. AGREE-MENT REACHED IN BONN THAT THERE WOULD BE MINISTERIAL-LEVEL NEGOTIATIONS ON AGRICULTURE WITH JAPAN IN WASHINGTON ON SEPTEMBER 5. IT WAS FURTHER UNDERSTOOD THAT THESE NEGOTIATIONS WOULD INCLUDE WOOD AND WOOD PRODUCTS AND FISH AS WELL AS THE FULL RANGE OF AGRICULTURAL ITEMS, NOT JUST BEEF AND CITRUS.

8. COMMENT: WHILE THERE ARE A FEW LOOSE ENDS, BELIEVE A DEAL WITH JAPAN ON INDUSTRIAL TARIFFS IS NOW CLEARLY IN SIGHT. THIS IS UNLIKELY TO HAVE BEEN ACHIEVED WITHOUT THE POLITICAL IMPETUS OF THE BONN SUMMIT MEETING. WE HAVE FOR ALL PRACTICAL PURPOSES RATE MATCHING IN COLOR FILM, COMPUTER CENTRAL UNITS, AND ONLY A MINOR DIFFERENTIAL ON PERIPHERALS. ON ALL OF THESE, JAPAN IS OFFERING VERY DEEP CUTS--SOME OF THEM FROM STATUTORY RATES OF 40 PERCENT

CONFIDENTIAL

NNN

CONFIDENTIAL

PAGE 01 GENEVA 11147 03 OF 03 191838Z
ACTION STR-07

INFO OCT-01 EA-10 IO-13 ISO-00 STRE-00 AGRE-00 CEA-01
CIAE-00 COME-00 DODE-00 EB-08 FRB-03 H-01 INR-10
INT-05 L-03 LAB-04 NSAE-00 NSC-05 PA-01 CTME-00
AID-05 SS-15 ITC-01 TRSE-00 ICA-11 SP-02 SOE-02
OMB-01 DOE-15 JUSE-00 EUR-12 /136 W
-----099230 191918Z /46

P 191753Z JUL 78
FM USMISSION GENEVA
TO SECSTATE WASHDC PRIORITY 2311
INFO AMEMBASSY TOKYO PRIORITY

C O N F I D E N T I A L SECTION 03 OF 03 GENEVA 11147

USMTN

PASS STR ELECTYRONICALLY FOR ACTION
STR PASS CODEL

DOWN TO 4 PERCENT--AND WITH PRETTY FIRM ASSURANCE JAPAN
WILL STAND BY THESE OFFERS THROUGH THE FINAL BALANCING
PROCESS. JAPAN HAS MADE IMPROVED OFFERS ON VIRTUALLY
EVERY SINGLE ITEM OF OUR HIGH-PRIORITY LIST AND HAS
OFFERED THE RATE WE REQUESTED IN QUITE A NUMBER OF
INSTANCES. WE SUGGEST WASHINGTON AGENCIES SHOULD TAKE
A NEW LOOK AT THE U.S. DINNERWARE RECLASSIFICATION AND
PROSPECTIVE OFFER RATES; WE DON'T REALLY THINK WE CAN SELL
THIS AS AN "IMPROVEMENT" FOR JAPAN AND, INDEED, WILL HAVE
TO PAY THEM SOMETHING IN SOME OTHER AREA IF WE CANNOT DO
BETTER THAN THAT. WE ALSO URGE FAVORABLE INTER-AGENCY
CONSIDERATION OF A FEW ADDITIONAL SWEETENERS FOR JAPAN TO
BE USED AS NECESSARY IN THE FINAL BALANCING PROCESS IN
SEPTEMBER.

9. DRAFTED BY CULBERT. MCDONALD

CONFIDENTIAL

NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01 jan 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: INDUSTRIAL PRODUCTION, TARIFF NEGOTIATIONS, TRADE AGREEMENTS
Control Number: n/a
Copy: SINGLE
Draft Date: 19 jul 1978
Decaption Date: 01 jan 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 20 Mar 2014
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1978GENEVA11147
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: GS
Errors: N/A
Expiration:
Film Number: D780296-0946
Format: TEL
From: GENEVA USMTN
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1978/newtext/t19780744/aaaabkrt.tel
Line Count: 301
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: 93cfb370-c288-dd11-92da-001cc4696bcc
Office: ACTION STR
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 6
Previous Channel Indicators: n/a
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: 78 STATE 175865
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 03 jun 2005
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 1959683
Secure: OPEN
Status: NATIVE
Subject: US-JAPAN MTN NEGOTIATIONS
TAGS: ETRD, JA, US, MTN
To: STATE
Type: TE
vdkgvwkey: odbc://SAS/SAS.dbo.SAS_Docs/93cfb370-c288-dd11-92da-001cc4696bcc
Review Markings:
Sheryl P. Walter
Declassified/Released
US Department of State
EO Systematic Review
20 Mar 2014
Markings: Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014